Statement of Richard Kilmer at the USDA Listening Session On Country of Origin Labeling

Good afternoon. My name is Richard Kilmer. I am a Professor of Food & Resource Economics at the University of Florida and a member of the International Agricultural Trade & Policy Center. I am here to discuss a project that was published in our Center by a team of distinguished lawyers and economists from Florida, Iowa, Kansas, Alabama and Indiana. This team completed a legal and economic analysis of the COOL legislation which is submitted for the record. They reached the following conclusions.

1. The least cost alternative regulatory scheme that complies with existing law is to presume that all covered commodities are of U.S. origin while tracking existing marks of origin on imported products. Other options are either too expensive or are likely to violate the Labeling Legislation itself.
2. Tracking imported product labels as to country of origin while presuming other product to be that of U.S. origin complies with W.T.O rules and other trade laws.
3. Producers of covered commodities are not subject to USDA jurisdiction under the labeling legislation unless they are vertically integrated so as to perform the functions of preparer, storer, handler, distributor or retailer of a covered commodity.
4. The benefits of labeling include consumer information, consumer choice, preservation of confidence in the food system, increased ability for consumers to identify food items subject to a recall, lessened costs incurred in contamination incidents, and consumer willingness-to-pay for labeling.
5. The benefits of labeling significantly outweigh the cost.
6. Consumer willingness-to-pay for country of origin labeling appears to be very significant. Existing studies suggest that the aggregate willingness-to-pay for labeling of beef alone is in excess of $3.5 billion.
7. Past estimates of cost by USDA and others are substantially overblown due to errors in both legal and economic assumptions.
8. There is no reason to believe that consumer demand for covered commodities will be negatively affected by increased costs attributable to record keeping for labeling.
9. The cost of record keeping relating to the labeling legislation is between $69 million and $193 million, which is 90-95% less than the USDA estimate. This cost translates into less than one-tenth of a cent per pound for the covered commodities as consumed by U.S. citizens.

This study concludes that country of origin labeling is important to providing consumers with the information and choice they desire. It will result in a reduction of food system risk and a preservation of consumer confidence in the food system. We believe it can be implemented to the benefit of consumers and producers.